# UNIVERSITIES ACADEMIC PENSION PLAN

## ANNUAL REPORT

for the fiscal year ended March 31, 1991

Alberta
TREASURY

92-07137/

Alberta

PROVINCIAL TREASURER
224 Legislature Building, Edmonton, Alberta, Canada T5K 2B6

The Speaker of the Assembly

Sir:

Pursuant to section 4 of the Universities Academic Pension Plan Act, being Chapter U-6.1 of the 1985 Statutes of Alberta, I have the honour to lay before the Assembly the annual report on the operation of the Universities Academic Pension Plan for the fiscal year ended March 31, 1991.

Respectfully submitted,

Dick Johnston
Provincial Treasurer

## Table of Contents


| | Page |
|---|---|
| Introduction | 2 |
| Plan Overview | 2 |
| Review of Operations | 3 |
| Actuarial Liabilities | 3 |
| Participation | 3 |
| Book Entry Transfers | 4 |
| Reciprocal Agreements | 5 |
| Reciprocal Transfers | 6 |
| Contributions | 7 |
| Refunds | 7 |
| Death in Service Benefits | 7 |
| Information and Counselling Services | 8 |
| Pension Benefits | 8 |
| Statement of Receipts and Payments | 14 |
| Comparative Statistics | 15 |

## Introduction

The Universities Academic Pension Plan was established effective July 1, 1978, by the Universities Academic Pension Act to provide a contributory pension scheme for members of the academic staff, including presidents, of the Alberta universities and the Banff Centre for Continuing Education.

The Universities Academic Pension Act was repealed on November 1, 1985, and replaced by the Universities Academic Pension Plan Act. Under new legislation, policy and administration became the responsibility of the Lieutenant-Governor in Council and the Minister respectively, while the Universities Academic Pension Plan Board was assigned an advisory and appellate role.

## Plan Overview

The Universities Academic Pension Plan is a contributory defined benefit plan under which employee contributions are 6 percent of salary and employer contributions 7 percent. The net amount of pension contributions less payments is deposited to or withdrawn from the pension fund pursuant to the Pension Fund Act. The income of the pension fund accrues to and forms part of the fund. The Government of Alberta guarantees the payment of all benefits under the Universities Academic Pension Plan.

Members may retire at any time after age 55 without reduction in the amount of pension, if 10 years of pensionable service have been accumulated, or after age 65 with five years of pensionable service. The normal pensionable age is 65, however, there is no mandatory retirement age. Pension benefits are based on 2 percent of the highest average pensionable earnings for five consecutive years times the number of years of pensionable service. The normal form of a pension is for the life of the member with a 15 year guarantee. Other options available are a five, 10, or 20 year guarantee period. A member may also elect a joint life pension based on their life and that of a nominee. If the member has a spouse, unless a waiver is signed by that spouse, the pension must be a joint pension guaranteed for the life of the member and spouse.

The plan also makes provision for those members who die prior to retirement and have accumulated at least ten years of pensionable service. In such cases, the surviving spouse is entitled to either a spousal pension or a lump sum benefit. The spousal pension is equal to the survivor benefit of a non-reduced joint life pension. A beneficiary other than a spouse must accept a lump sum benefit. The spouse of a member with less than 10 years of pensionable service must also accept a lump sum benefit.

## Review of Operations

The Universities Academic Pension Plan is administered by the Payroll and Pensions Division of Alberta Treasury.

During the year under review, the division continued on an active course of automation, computer systems upgrading and procedural improvement. The administration of retirement benefits received particular attention with the redevelopment of the retirement benefit calculations. In addition, pension file tracking was enhanced, better payment controls were implemented and system response time was improved.

The fiscal year 1990–91 saw the trial implementation of a system to provide for direct deposit of contribution remittances. Benefits from this program will allow employers to transfer their monthly remittances directly to Payroll and Pensions through the banking system. An initial group of employers participated in a pilot program to assist Payroll and Pensions in refining the process. Results to date have been very favourable, and it is hoped this feature can be offered to all employers in the next year.

Review and planning for federal and provincial pension reform involved all sections of the Pension Administration.

## Actuarial Liabilities

An independent actuarial valuation carried out at March 31, 1990, estimated the accrued liability of the Universities Academic Pension Plan to be $1,012,000,000. The normal actuarial cost of the plan as a percentage of payroll was estimated at 15.5 percent.

## Participation

At March 31, 1991, there were five employers participating in the Universities Academic Pension Plan, 4,611 active contributors, and 128 terminated employees who had either not made a choice regarding their plan status or were awaiting a deferred pension.

A summary of the participating employers and the number of participants is provided in the section on contributions.

## Book Entry Transfers

The following transfers to and from other pension plans administered by the Province of Alberta were made by book entry during the year. These transfers are not reflected in the Statement of Receipts and Payments.

| | Transfers To Universities Academic Pension Plan | | Transfers From Universities Academic Pension Plan | |
|---|---|---|---|---|
| | Number | Amount $ | Number | Amount $ |
| Public Service Pension Plan | 61 | 1,202,202 | 3 | 15,128 |
| Local Authorities Pension Plan | 7 | 128,803 | 3 | 52,480 |
| Public Service Management Pension Plan | 3 | 136,065 | – | – |
| | 71 | 1,467,070 | 6 | 67,608 |

## Reciprocal Agreements

At March 31, 1991, the Universities Academic Pension Plan had reciprocal transfer agreements in effect with the following pension authorities. The agreements enabled participants to transfer pension credits to and from these authorities.

**Within Alberta**

- Alberta Teachers' Retirement Fund
- Local Authorities Pension Plan
- Public Service Management Pension Plan
- Public Service Pension Plan

**Outside Alberta**

- Brock University
- Dalhousie College and University
- Government of Canada
- Government of New Brunswick
- Manitoba Teachers' Retirement Allowance Fund Board
- McGill University
- Ontario Council of Regents for the Colleges of Applied Arts and Technology
- Ontario Institute for Studies in Education
- Saint Paul University
- Saskatchewan Teachers' Superannuation Commission
- University of Guelph
- University of Manitoba
- University of Montreal
- University of Ottawa
- University of Prince Edward Island
- University of Saskatchewan
- University of Sherbrooke
- University of Toronto
- University of Waterloo
- Wilfrid Laurier University

## Reciprocal Transfers

During the year ended March 31, 1991, the following number and value of reciprocal transfers were undertaken:

| | Transfers To Universities Academic Pension Plan | | Transfers From Universities Academic Pension Plan | |
|---|---|---|---|---|
| | Number | Amount $ | Number | Amount $ |
| Alberta Teachers' Retirement Fund | 3 | 252,395 | – | – |
| Government of Canada | 5 | 401,079 | – | – |
| McGill University | 3 | 145,230 | – | – |
| University of Ottawa | 2 | 270,069 | – | – |
| Other | 7 | 359,887 | 4 | 57,328 |
| | 20 | 1,428,660 | 4 | 57,328 |

## Contributions

The schedule below summarizes the employee and employer contributions for the year ended March 31, 1991:

| | Participants At March 31, 1991 | Contributions Received | | |
|---|---|---|---|---|
| | | Employee $ | Employer $ | Total $ |
| University of Alberta | 2,414 | 9,897,466 | 10,583,150 | 20,480,616 |
| University of Calgary | 1,630 | 6,725,398 | 7,140,649 | 13,866,047 |
| University of Lethbridge | 359 | 1,253,054 | 1,351,126 | 2,604,180 |
| Athabasca University | 151 | 487,279 | 508,408 | 995,687 |
| Banff Centre for Continuing Education | 57 | 250,288 | 221,015 | 471,303 |
| Accounts held on Deposit | 128 | 8,459 | – | 8,459 |
| | 4,739 | 18,621,944 | 19,804,348 | 38,426,292 |

## Refunds

Under the terms of the Universities Academic Pension Plan, a member who terminates has the option of transferring both the employee and employer contributions and interest into a registered pension or retirement savings plan. During the year, there were 318 such transfers totalling $4,238,399. This amount is shown in the Statement of Receipts and Payments under other transfers.

In addition, 10 refunds of excess contributions totalling $28,633 were made to members and employers.

## Death in Service Benefits

In the current year, five members died while in service. Three of the surviving spouses were granted spousal pensions.

Lump sums were paid to a total of three individual beneficiaries in respect of the other two deaths in service.

## Information and Counselling Services

Payroll and Pensions Division presented two information seminars and two pre-retirement seminars to employees during the year. The average attendance for each seminar was 29.

Four *Pension News* information bulletins were prepared for employers to assist them in carrying out their responsibilities under the pension plan.

The Alberta Retired Public Employees Society was again assisted by Payroll and Pensions with the publication of their quarterly newspaper *Postscript*.

Annual statements containing information on pensionable service, contributions, and prior service were produced and forwarded to employers for distribution to all active participants in the plan.

## Pension Benefits

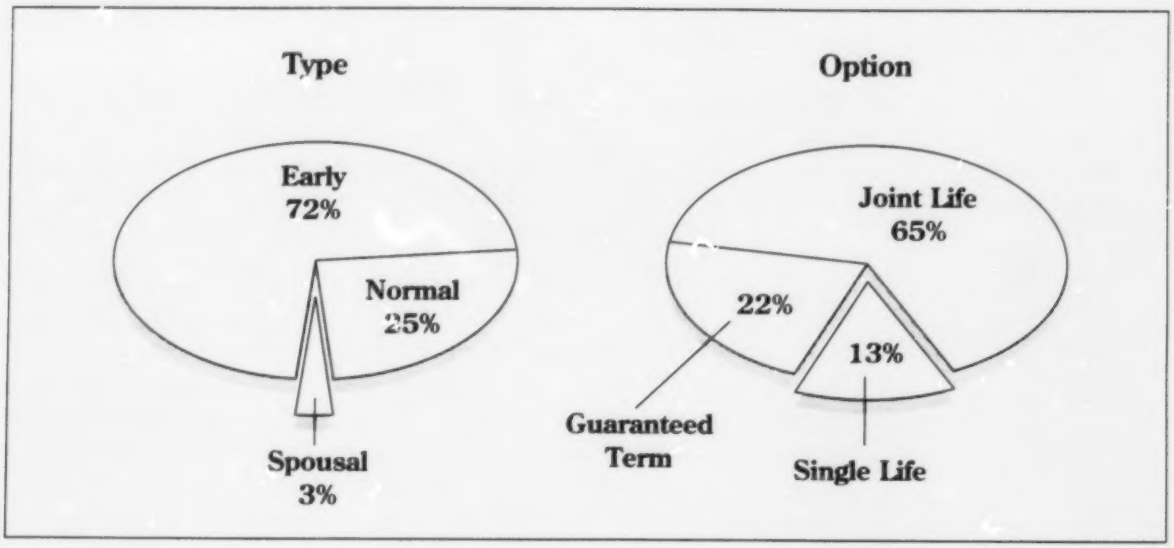
During the year ended March 31, 1991, pension benefits paid totalled $26,186,028; an increase of $3,440,932 (15.1 percent) over the previous year. A total of 115 pensions were granted in the categories shown in the table below. Previous year figures are included for comparison.

| | 1991 | | 1990 | |
|---|---|---|---|---|
| Normal Retirement | 29 | | 22 | |
| Early Retirement | 83 | (38) | 74 | (42) |
| Death-in-Service (Spousal) | 3 | | 4 | ( 3) |
| | 115 | (38) | 100 | (45) |

( ) Brackets denote pensions co-ordinated with Canada Pension Plan (CPP) and/or federal Old Age Security (OAS) payments.

Of the above retirements, seven of the early retirements were in respect of deferred retirements from previous years.

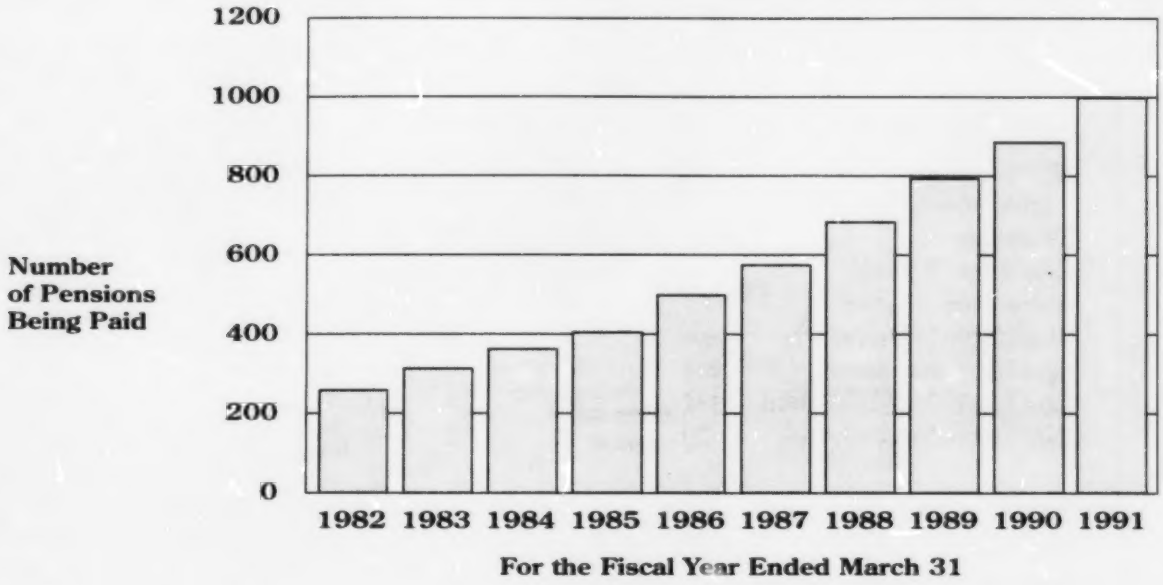
The charts below illustrate the relative proportions of retirements during the year by type of pension and by option chosen:



Pension options selected by members were as follows:

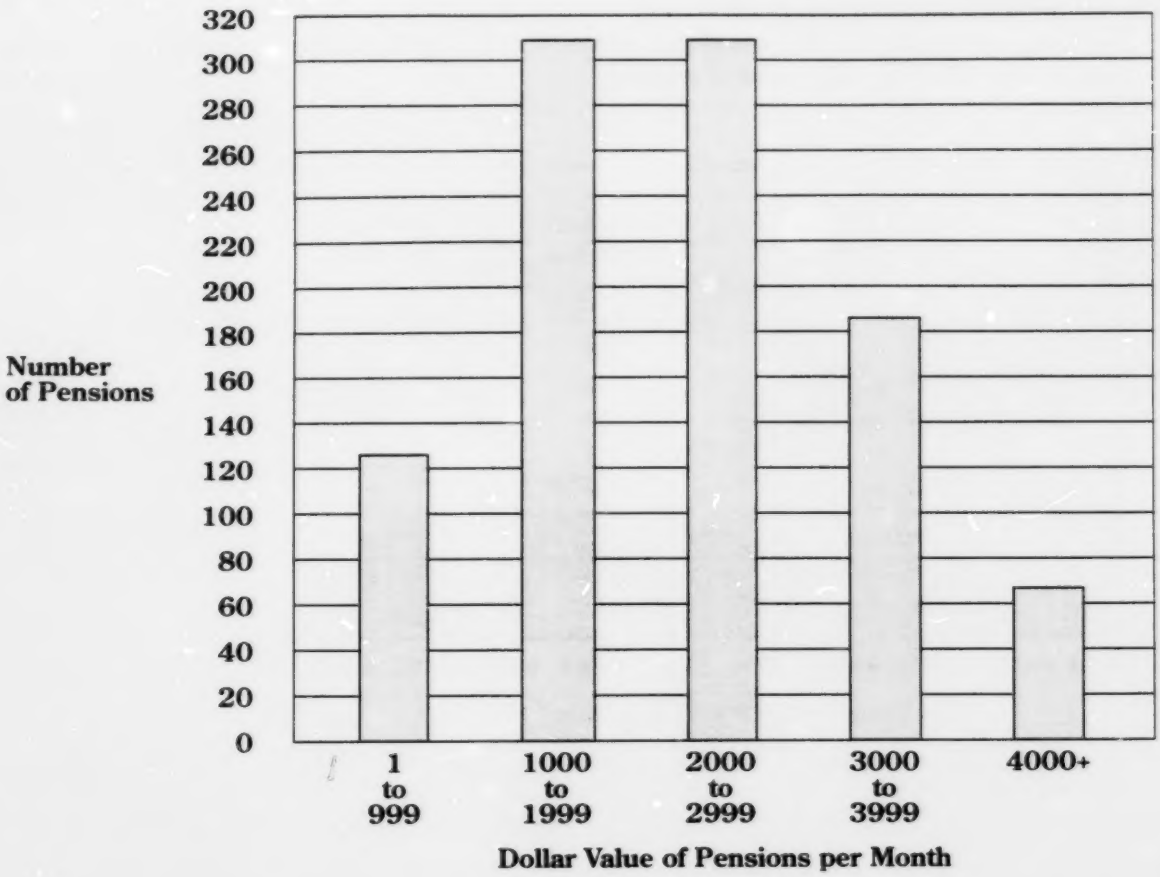
| | At April 1, 1990 | New Retirements | Beneficiaries | Deaths | End of Guarantee Term | At March 31, 1991 |
|---|---|---|---|---|---|---|
| **Member Pensions** | | | | | | |
| Normal (guaranteed 15 years) | 119 | 8 | 1 | ( 1) | | 127 |
| Single Life | 95 | 15 | | | | 110 |
| Guaranteed 5 years | 33 | 6 | | | (3) | 36 |
| Guaranteed 10 years | 47 | 2 | 3 | ( 1) | | 51 |
| Guaranteed 20 years | 68 | 6 | 1 | ( 2) | | 73 |
| Joint Life non-reduced | 291 | 55 | 4 | ( 4) | | 346 |
| Joint Life reduced one third | 144 | 18 | 4 | ( 4) | | 162 |
| Joint Life reduced one half | 20 | 2 | 2 | ( 2) | | 22 |
| **Spousal Pensions** | | | | | | |
| Single Life | 16 | | | ( 1) | | 15 |
| Guaranteed 5 years | 1 | 1 | | | | 2 |
| Guaranteed 10 years | 13 | | | | | 13 |
| Guaranteed 15 years | 13 | | | | | 13 |
| Guaranteed 20 years | 26 | 2 | — | — | — | 28 |
| **Total Pensions** | 886 | 115 | 15 | ( 15) | (3) | 998 |
| Pensions Co-ordinated with CPP and/or OAS | 308 | 38 | 5 | ( 3) | (2) | 346 |

The number of pensions being paid at the end of each of the last 10 years is presented in the graph below:



The schedule below and the graph on the following page categorize the pensions in effect at March 31, 1991, by dollar value of monthly pension:

| Dollar Value Per Month $ | Member Pensions | Spousal Pensions | Total |
|---|---|---|---|
| 1 to 999 | 108 | 18 | 126 |
| 1,000 to 1,999 | 275 | 34 | 309 |
| 2,000 to 2,999 | 293 | 17 | 310 |
| 3,000 to 3,999 | 184 | 2 | 186 |
| 4,000 and over | 67 | – | 67 |
| | 927 | 71 | 998 |




Effective January 1, 1991, a cost of living adjustment of 3.25 percent was granted to those pensioners in receipt of a pension for one year or more with a proportionately smaller increase granted to those retiring during the calendar year 1990.

## Statement of Receipts and Payments
## Year Ended March 31, 1991

| | 1991<br>$ | 1990<br>$ |
|---|---|---|
| **RECEIPTS** | | |
| Employee contributions | 18,621,944 | 17,833,993 |
| Employer contributions | 19,804,348 | 18,442,841 |
| Interest on overdue receivables | 5,594 | 3,011 |
| Total Receipts | 38,431,886 | 36,279,845 |
| **PAYMENTS** | | |
| **Benefits** | | |
| Pensions to retired members | 24,778,049 | 21,196,807 |
| Pensions to surviving spouses | 1,269,599 | 1,200,477 |
| Lump sums to beneficiaries of deceased pensioners | 44,681 | – |
| Lump sums to beneficiaries of deceased employees | 93,699 | 347,812 |
| | 26,186,028 | 22,745,096 |
| **Withdrawals** | | |
| Refunds of contributions and interest to terminated members | 11,040 | – |
| Reciprocal agreement transfers | 57,328 | 221,219 |
| Other transfers | 4,238,399 | 4,024,232 |
| Refunds of excess contributions | 28,633 | 44,025 |
| | 4,335,400 | 4,289,476 |
| Total Payments | 30,521,428 | 27,034,572 |
| Excess of Receipts over Payments | 7,910,458 | 9,245,273 |

**Note:** The receipts and payments shown above do not reflect transfers of contributions and interest to and from other pension plans administered by the Alberta government. Such transfers are detailed under Book Entry Transfers.

## Comparative Statistics

The table below shows comparative statistics of receipts and payments for the most recent five fiscal years. In addition, a graph is presented to illustrate a 10 year trend.

(000s)

| Fiscal Year | RECEIPTS | | | PAYMENTS | | | |
|---|---|---|---|---|---|---|---|
| | Employee $ | Employer $ | Total $ | Benefits $ | With-drawals $ | Total $ | Excess of Receipts Over Payments $ |
| 1990/91 | 18,622 | 19,810 | 38,432 | 26,186 | 4,335 | 30,521 | 7,911 |
| 1989/90 | 17,834 | 18,446 | 36,280 | 22,745 | 4,289 | 27,034 | 9,246 |
| 1988/89 | 15,705 | 16,630 | 32,335 | 19,437 | 4,615 | 24,052 | 8,283 |
| 1987/88 | 15,454 | 16,027 | 31,481 | 15,181 | 3,556 | 18,737 | 12,744 |
| 1986/87 | 14,966 | 15,965 | 30,931 | 12,120 | 2,455 | 14,575 | 16,356 |